

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Butterfield	County Missaukee
Fiscal Year End March 31, 2008	Opinion Date June 9, 2008	Date Audit Report Submitted to State June 12, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell	License Number 1101007803	

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 9, 2008

To the Township Board
Township of Butterfield
Missaukee County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Butterfield, Missaukee County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Butterfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Butterfield, Missaukee County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Butterfield covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$280,009.16 for governmental activities.

Overall revenues were \$165,189.82. Governmental activities had a \$69,644.53 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Fire Fund, and the Road Fund.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	102 406
Capital Assets	<u>181 603</u>
Total Assets	<u>284 009</u>
Current Liabilities	4 000
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>4 000</u>
Net Assets:	
Invested in Capital Assets	181 603
Unrestricted	<u>98 406</u>
Total Net Assets	<u><u>280 009</u></u>
	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	7 997
Operating Grants and Contributions	2 847
General Revenues:	
Property Taxes	108 632
Other Taxes	1 828
State Revenue Sharing	39 744
Interest	2 676
Miscellaneous	<u>1 465</u>
Total Revenues	<u>165 189</u>
Program Expenses:	
Legislative	19 737
General Government	46 196
Public Safety	27 076
Public Works	137 797
Culture and Recreation	<u>4 028</u>
Total Expenses	<u>234 834</u>
Increase (Decrease) in Net Assets	(69 645)
Net Assets, April 1	<u>349 654</u>
Net Assets, March 31	<u><u>280 009</u></u>

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Fire Fund, and the Road Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services which totaled \$66,655.33. The Fire Fund pays for the Township's fire services. The Road Fund incurred expenses of \$133,580.07.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 3920 South 13 Mile Road, Merritt, Michigan 49667.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	87 303 24
Taxes receivable	<u>15 103 09</u>
Total Current Assets	<u>102 406 33</u>
NON-CURRENT ASSETS:	
Capital Assets	233 993 22
Less: Accumulated Depreciation	<u>(52 390 40)</u>
Total Non-current Assets	<u>181 602 82</u>
TOTAL ASSETS	<u><u>284 009 15</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>3 999 99</u>
Total Current Liabilities	<u>3 999 99</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>3 999 99</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	181 602 82
Unrestricted	<u>98 406 34</u>
Total Net Assets	<u>280 009 16</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>284 009 15</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program Revenue		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS	<u>Expenses</u>			
Governmental Activities:				
Legislative	19 736 71	-	-	(19 736 71)
General government	46 196 33	7 996 71	-	(38 199 62)
Public safety	27 076 21	-	-	(27 076 21)
Public works	137 797 40	-	2 846 89	(134 950 51)
Culture and recreation	4 027 70	-	-	(4 027 70)
Total Governmental Activities	<u>234 834 35</u>	<u>7 996 71</u>	<u>2 846 89</u>	<u>(223 990 75)</u>
General Revenues:				
Property taxes				108 632 20
Other taxes				1 828 40
State revenue sharing				39 744 05
Interest				2 676 14
Miscellaneous				<u>1 465 43</u>
Total General Revenues				<u>154 346 22</u>
Change in net assets				(69 644 53)
Net assets, beginning of year				<u>349 653 69</u>
Net Assets, End of Year				<u>280 009 16</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	52 294 61	-	34 719 96	87 014 57
Taxes receivable	4 236 37	3 619 77	7 246 95	15 103 09
Due from other funds	<u>288 67</u>	<u>-</u>	<u>-</u>	<u>288 67</u>
Total Assets	<u>56 819 65</u>	<u>3 619 77</u>	<u>41 966 91</u>	<u>102 406 33</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>380 22</u>	<u>3 619 77</u>	<u>-</u>	<u>3 999 99</u>
Total liabilities	<u>380 22</u>	<u>3 619 77</u>	<u>-</u>	<u>3 999 99</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>56 439 43</u>	<u>-</u>	<u>41 966 91</u>	<u>98 406 34</u>
Total fund equity	<u>56 439 43</u>	<u>-</u>	<u>41 966 91</u>	<u>98 406 34</u>
Total Liabilities and Fund Equity	<u>56 819 65</u>	<u>3 619 77</u>	<u>41 966 91</u>	<u>102 406 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 98 406 34

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	233 993 22
Accumulated depreciation	<u>(52 390 40)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 280 009 16

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Total</u>
Revenues:				
Property taxes	27 076 21	27 076 21	54 479 78	108 632 20
Other taxes	1 828 40	-	-	1 828 40
Federal grant	-	-	2 846 89	2 846 89
State revenue sharing	37 703 00	-	2 041 05	39 744 05
Charges for services – PTAF	7 996 71	-	-	7 996 71
Interest	2 595 50	-	80 64	2 676 14
Miscellaneous	1 465 43	-	-	1 465 43
Total revenues	<u>78 665 25</u>	<u>27 076 21</u>	<u>59 448 36</u>	<u>165 189 82</u>
Expenditures:				
Legislative:				
Township Board	19 736 71	-	-	19 736 71
General government:				
Supervisor	3 888 50	-	-	3 888 50
Elections	1 410 84	-	-	1 410 84
Assessor	11 694 85	-	-	11 694 85
Clerk	7 715 00	-	-	7 715 00
Board of Review	1 370 40	-	-	1 370 40
Treasurer	9 481 75	-	-	9 481 75
Building and grounds	6 494 29	-	-	6 494 29
Cemetery	835 29	-	-	835 29
Public safety:				
Fire protection	-	27 076 21	-	27 076 21
Public works:				
Highways and streets	-	-	133 580 07	133 580 07
Culture and recreation:				
Parks and recreation	4 027 70	-	-	4 027 70
Total expenditures	<u>66 655 33</u>	<u>27 076 21</u>	<u>133 580 07</u>	<u>227 311 61</u>
Excess (deficiency) of revenues over expenditures	<u>12 009 92</u>	<u>-</u>	<u>(74 131 71)</u>	<u>(62 121 79)</u>
Other financing sources (uses):				
Operating transfers in	-	-	60 000 00	60 000 00
Operating transfers out	(60 000 00)	-	-	(60 000 00)
Total other financing sources (uses)	<u>(60 000 00)</u>	<u>-</u>	<u>60 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(47 990 08)	-	(14 131 71)	(62 121 79)
Fund balances, April 1	<u>104 429 51</u>	<u>-</u>	<u>56 098 62</u>	<u>160 528 13</u>
Fund Balances, March 31	<u>56 439 43</u>	<u>-</u>	<u>41 966 91</u>	<u>98 406 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (62 121 79)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(7 522 74)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (69 644 53)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Butterfield, Missaukee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Butterfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township is a member of the Merritt Area Fire Department. The Fire Department is a joint venture of Enterprise and Butterfield Townships created to provide fire protection for the member Townships. Butterfield Township levied 1.4865 mills to support the Fire Department. A copy of audited financial statements for the Fire Department may be obtained upon request from the Fire Department Treasurer.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 5.9107 mills, and the taxable value was \$17,257,564.00.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	5-10 years
Infrastructure	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>87 303 24</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	162 653 30
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>162 653 30</u>

The Township of Butterfield did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	4 000 00	-	-	4 000 00
Buildings	107 487 08	-	-	107 487 08
Equipment	10 270 00	-	-	10 270 00
Infrastructure	112 236 14	-	-	112 236 14
Total	233 993 22	-	-	233 993 22
Accumulated Depreciation	(44 867 66)	(7 522 74)	-	(52 390 40)
Net Capital Assets	189 125 56	(7 522 74)	-	181 602 82

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$1,620.76.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Butterfield does not issue building permits. Building permits are issued by the County of Missaukee.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	288 67	Current Tax Collection	288 67
Total	<u>288 67</u>	Total	<u>288 67</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Road	60 000 00	General	60 000 00
Total	<u>60 000 00</u>	Total	<u>60 000 00</u>

Note 11 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

<u>Fund/Activity</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Road Fund:			
Highways and streets	50 697 54	133 580 07	82 882 53
Fire Fund:			
Fire protection	25 653 37	27 076 21	1 422 84

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	25 653 00	25 653 00	27 076 21	1 423 21
Other taxes	1 828 40	1 828 40	1 828 40	-
State revenue sharing	37 609 66	37 609 66	37 703 00	93 34
Charges for services – PTAF	2 130 00	2 130 00	7 996 71	5 866 71
Interest	3 541 72	3 541 72	2 595 50	(946 22)
Miscellaneous	800 00	800 00	1 465 43	665 43
Total revenues	71 562 78	71 562 78	78 665 25	7 102 47
Expenditures:				
Legislative:				
Township Board	25 250 00	23 050 00	19 736 71	(3 313 29)
General government:				
Supervisor	4 000 00	4 000 00	3 888 50	(111 50)
Elections	500 00	1 500 00	1 410 84	(89 16)
Assessor	11 700 00	11 700 00	11 694 85	(5 15)
Clerk	8 000 00	8 000 00	7 715 00	(285 00)
Board of Review	1 580 00	1 580 00	1 370 40	(209 60)
Treasurer	10 000 00	10 000 00	9 481 75	(518 25)
Building and grounds	7 550 00	6 550 00	6 494 29	(55 71)
Cemetery	1 000 00	1 000 00	835 29	(164 71)
Culture and recreation:				
Parks and recreation	1 900 00	4 100 00	4 027 70	(72 30)
Total expenditures	71 480 00	71 480 00	66 655 33	(4 824 67)
Excess (deficiency) of revenues over expenditures	82 78	82 78	12 009 92	11 927 14
Other financing sources (uses):				
Operating transfers out	-	-	(60 000 00)	(60 000 00)
Total other financing sources (uses)	-	-	(60 000 00)	(60 000 00)
Excess (deficiency) of revenues and other sources over expenditures and other uses	82 78	82 78	(47 990 08)	(48 072 86)
Fund balance, April 1	-	-	104 429 51	104 429 51
Fund Balance, March 31	82 78	82 78	56 439 43	56 356 65

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	25 653 37	25 653 37	27 076 21	1 422 84
Interest	-	-	-	-
Total revenues	<u>25 653 37</u>	<u>25 653 37</u>	<u>27 076 21</u>	<u>1 422 84</u>
Expenditures:				
Public safety:				
Fire protection	<u>25 653 37</u>	<u>25 653 37</u>	<u>27 076 21</u>	<u>1 422 84</u>
Total expenditures	<u>25 653 37</u>	<u>25 653 37</u>	<u>27 076 21</u>	<u>1 422 84</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	50 697 54	50 697 54	54 479 78	3 782 24
Federal grant	-	-	2 846 89	2 846 89
State revenue sharing	-	-	2 041 05	2 041 05
Interest	-	-	80 64	80 64
Total revenues	<u>50 697 54</u>	<u>50 697 54</u>	<u>59 448 36</u>	<u>8 750 82</u>
Expenditures:				
Public works:				
Highways and streets	<u>50 697 54</u>	<u>50 697 54</u>	<u>133 580 07</u>	<u>82 882 53</u>
Total expenditures	<u>50 697 54</u>	<u>50 697 54</u>	<u>133 580 07</u>	<u>82 882 53</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(74 131 71)</u>	<u>(74 131 71)</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>60 000 00</u>	<u>60 000 00</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>60 000 00</u>	<u>60 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>(14 131 71)</u>	<u>(14 131 71)</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>56 098 62</u>	<u>56 098 62</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>41 966 91</u>	<u>41 966 91</u>

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>91 673 96</u>	<u>530 875 68</u>	<u>622 260 97</u>	<u>288 67</u>
<u>Liabilities</u>				
Due to other funds	24 991 46	101 875 55	126 578 34	288 67
Due to others	<u>66 682 50</u>	<u>429 000 13</u>	<u>495 682 63</u>	<u>-</u>
Total Liabilities	<u>91 673 96</u>	<u>530 875 68</u>	<u>622 260 97</u>	<u>288 67</u>

TOWNSHIP OF BUTTERFIELD
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>91 673 96</u>
Cash receipts:	
Property taxes	525 620 00
Property tax administration fees	5 255 68
Interest	-
Total cash receipts	<u>530 875 68</u>
Total beginning balance and cash receipts	<u>622 549 64</u>
Cash disbursements:	
Township General Fund	41 003 31
Township Road Fund	57 117 00
Township Fire Fund	28 458 03
Missaukee County	230 669 78
Wexford-Missaukee ISD	9 407 11
COOR ISD	17 402 42
Kirtland Community College	43 051 47
Lake City School District	14 223 94
Houghton Lake School District	169 847 19
Missaukee District Library	372 49
Houghton Lake Public Library	10 621 61
Refunds	86 62
Total cash disbursements	<u>622 260 97</u>
Cash in Bank – End of Year	<u>288 67</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 9, 2008

To the Township Board
Township of Butterfield
Missaukee County, Michigan

We have audited the financial statements of the Township of Butterfield for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Butterfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Butterfield
Missaukee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants